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S E C R E T ROME 001591

SIPDIS

FOR NP/CBM

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SUBJECT: TAIWAN/DPRK CHEMICAL SEIZURE - ITALY SEEKING
INCREASED RESOURCES TO AUGMENT ITS EXPORT CONTROLS

REF: STATE 48132

CLASSIFIED BY: ECONOMIC MINISTER-COUNSELOR SCOTT KILNER FOR REASONS 1.4
(B, D, AND H)

¶1. (S) ECONOFF RAISED REFTEL POINTS WITH MFA

NON-PROLIFERATION COORDINATOR CARLO TRIPEPI ON MARCH 8. (WE ALSO LEFT THE POINTS AT MFA WITH DEPUTY DIRECTOR FOR POLITICAL AFFAIRS CLAUDIO BISOGNIERO, DISARMAMENT OFFICE DIRECTOR GIOVANNI IANNUZZI, AND EAST ASIA OFFICE DIRECTOR CRISTINA RAVAGLIA.) THE RECENTLY APPOINTED TRIPEPI TOLD US HE WAS UNAWARE OF THE CASE, BUT PROMISED TO LOOK INTO IT, ADDING THAT THAT HE PLANNED TO DISCUSS OUR INQUIRY WITH MINISTRY OF PRODUCTIVE ACTIVITIES (MPA) EXPORT LICENSING OFFICE DIRECTOR ALDO DORIA.

¶2. (S) DORIA INVITED ECONOFF TO A MEETING ON APRIL 16 TO PROVIDE A DETAILED RESPONSE TO OUR INQUIRY. DORIA CONFIRMED THE MPA'S APPROVAL OF AN EXPORT LICENSE IN MID-2003 FOR THE SHIPMENT, FOLLOWING CONSIDERATION OF THE ITALIAN FIRM ITALMATCH'S APPLICATION BY THE GOI INTERAGENCY "CONSULTATIVE COMMITTEE ON DUAL-USE GOODS EXPORTS" (WHICH WAS THEN LED BY TRIPEPI'S PREDECESSOR UGO DE MOHR; DORIA IS THE COMMITTEE'S VICE CHAIR). DORIA SAID NONE OF THE COMMITTEE'S MEMBERS, INCLUDING THOSE FROM MOD AND THE INTELLIGENCE SERVICES, HAD RAISED ANY CONCERNS ABOUT THE SHIPMENT. ITALMATCH HAD PREVIOUSLY BEEN AUTHORIZED EXPORT LICENSES AND HAD AN UNTARNISHED RECORD WITH THE GOI. DORIA ACKNOWLEDGED THAT THE END-USER, THE THAI FIRM DAEBANG CO. LTD. OF BANGKOK, WAS PREVIOUSLY UNKNOWN TO THE GOI. THE GOI HAD CONTACTED DAEBANG WHILE THE APPLICATION WAS IN TRAIN AND CONFIRMED ITS PURCHASE OF THE CHEMICALS, ADDED DORIA.

¶3. (S) THE MPA CONTINUES TO BE IN TOUCH WITH ITALMATCH REGARDING THE COMPANY'S POSSIBLE AGREEMENT TO TAKE BACK THE DIVERTED CHEMICAL SHIPMENT, ACCORDING TO DORIA. HE NOTED THAT THE COMPANY IS ESPECIALLY CONCERNED ABOUT LEGAL LIABILITY ISSUES, AS WELL AS PRESERVING THE COMPANY'S ABILITY TO QUALIFY FOR FUTURE EXPORT LICENSES. DORIA ADDED THAT ANY RETURN OF THE CHEMICALS TO ITALY WOULD HAVE TO BE FUNDED BY THE COMPANY -- THE GOI WAS NOT ABLE OR WILLING TO PAY. THE GOI WAS HOPING FOR PROGRESS TOWARDS A SOLUTION AT A MEETING WITH ITALMATCH BEFORE THE END OF APRIL.

¶4. (S) DORIA SAID THIS CASE EXEMPLIFIED THE DIFFICULTIES INHERENT IN SHIPMENTS TO NON-AC COUNTRIES LIKE THAILAND, WHICH HE NOTED DID NOT HAVE A NATIONAL AUTHORITY THAT COULD ISSUE END-USER CERTIFICATES. ITALIAN EXPORT LICENSE APPLICANTS ARE TYPICALLY SMALL- AND MEDIUM-SIZED COMPANIES THAT ARE HEAVILY DEPENDENT ON EXPORT MARKETS, MANY OF THEM IN ASIA. THE GOI WAS RELUCTANT TO IMPEDE SUCH EXPORTS ABSENT ANY DEROGATORY INFORMATION REGARDING THE ITALIAN EXPORTER OR THE FOREIGN END-USER.

¶5. (S) DORIA WAS HOPEFUL THAT GOI EXPORT CONTROL AUTHORITIES WOULD SOON BE GIVEN THE FINANCIAL RESOURCES TO PERFORM THEIR OWN END-USER INVESTIGATIONS, WHICH COULD HELP PREVENT SIMILAR RE-EXPORT ATTEMPTS IN THE FUTURE. HE NOTED THAT HIGH-LEVEL POLITICAL PRESSURE FROM MINISTERS FRATTINI (MFA) AND MARZANO (MPA) WOULD LIKELY RESULT IN THE APPROPRIATION OF FUNDS TO ALLOW THE GOI TO INITIATE SOME LIMITED POST-SHIPMENT CONTROLS. DORIA WAS OPTIMISTIC THAT INITIATING EVEN LIMITED CHECKS WOULD GIVE ITALIAN FIRMS AN INCREASED INCENTIVE TO CHOOSE END-USERS MORE JUDICIOUSLY WHEN EXPORTING SENSITIVE ITEMS REQUIRING EXPORT LICENSES.

¶6. (S) COMMENT. THE GOI'S INTENTION TO DIRECT ADDITIONAL RESOURCES TO POST-SHIPMENT CHECKS OF SENSITIVE EXPORTS IS WELCOME NEWS, ALTHOUGH APPARENTLY NOT A COMPLETELY DONE DEAL. EMBASSY WILL ENCOURAGE OUR GOI EXPORT CONTROL CONTACTS TO CONTINUE THEIR EFFORTS TO OBTAIN SUCH RESOURCES. WE ALSO BELIEVE THIS WOULD BE A GOOD TOPIC TO DISCUSS AT THE UPCOMING ROUND OF BILATERAL DUAL-USE EXPORT CONTROL DISCUSSIONS. END COMMENT.

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